

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date			Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Comstock
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2005

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INDEPENDENT AUDITORS' REPORT

Township Board
Charter Township of Comstock, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Charter Township of Comstock, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Comstock, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Comstock Community Center, Inc., the sole discretely-presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Comstock Community Center, Inc., is based on the report of other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the sole discretely presented component unit, Comstock Community Center, Inc., were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Charter Township of Comstock, Michigan
Page 2

The Charter Township of Comstock, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Charter Township of Comstock, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006, on our consideration of the Charter Township of Comstock, Michigan's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Siegfried Crandall P.C.

March 23, 2006

BASIC FINANCIAL STATEMENTS

Charter Township of Comstock
STATEMENT OF NET ASSETS
December 31, 2005

	<i>Primary government</i>		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,892,591	\$ 52,569	\$ 4,945,160
Receivables, net	2,952,855	127	2,952,982
Prepaid expenses	-	-	-
Total current assets	<u>7,845,446</u>	<u>52,696</u>	<u>7,898,142</u>
Noncurrent assets:			
Receivables, net	154,394	-	154,394
Deferred charges	46,851	-	46,851
Capital assets, net of accumulated depreciation	<u>13,633,735</u>	<u>16,000</u>	<u>13,649,735</u>
Total noncurrent assets	<u>13,834,980</u>	<u>16,000</u>	<u>13,850,980</u>
Total assets	<u>21,680,426</u>	<u>68,696</u>	<u>21,749,122</u>
LIABILITIES			
Current liabilities:			
Payables	300,980	11,669	312,649
Deferred revenue	2,649,654	-	2,649,654
Current portion of long-term obligations	<u>260,000</u>	<u>-</u>	<u>260,000</u>
Total current liabilities	<u>3,210,634</u>	<u>11,669</u>	<u>3,222,303</u>
Noncurrent liabilities:			
Long-term obligations	<u>2,348,231</u>	<u>-</u>	<u>2,348,231</u>
Total liabilities	<u>5,558,865</u>	<u>11,669</u>	<u>5,570,534</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,025,504	16,000	11,041,504
Restricted for:			
Public safety	753,709	-	753,709
Public works	31,016	-	31,016
Health and welfare	15,508	-	15,508
Recreation and culture	511,674	-	511,674
Debt service	725,750	-	725,750
Unrestricted	<u>3,058,400</u>	<u>41,027</u>	<u>3,099,427</u>
Total net assets	<u>\$ 16,121,561</u>	<u>\$ 57,027</u>	<u>\$ 16,178,588</u>

Component unit
Comstock
Community Center

\$ 42,828
70,514
9,425

122,767

-
-
86,126

86,126

208,893

68,463
12,649
-

81,112

-
81,112

86,126

-
-
-
-
-
41,655

\$ 127,781

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 27,690	\$ -	\$ -	\$ -
General government	999,039	183,388	-	-
Public safety	1,561,532	1,152,312	-	63,589
Public works	751,119	664,857	9,400	501,169
Community and economic development	78,141	35,400	-	-
Culture and recreation	989,490	136,503	19,474	-
Health and welfare	132,145	-	-	-
Interest on long-term debt	101,857	79,909	-	-
Total governmental activities	<u>4,641,013</u>	<u>2,252,369</u>	<u>28,874</u>	<u>564,758</u>
Business-type activity:				
Building inspection	<u>206,700</u>	<u>190,669</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 4,847,713</u>	<u>\$ 2,443,038</u>	<u>\$ 28,874</u>	<u>\$ 564,758</u>
Component unit:				
Health and welfare	\$ 511,270	\$ 220,162	\$ 109,023	\$ -
Culture and recreation	<u>115,264</u>	<u>75,540</u>	<u>8,021</u>	<u>-</u>
Total component units	<u>\$ 626,534</u>	<u>\$ 295,702</u>	<u>\$ 117,044</u>	<u>\$ -</u>

General revenues:
Property taxes
State grants
Investment income
Other
Transfers

Total general revenues

Changes in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets			
Primary government			Component unit
Governmental activities	Business-type activities	Totals	Comstock Community Center
\$ (27,690)		\$ (27,690)	
(815,651)		(815,651)	
(345,631)		(345,631)	
424,307		424,307	
(42,741)		(42,741)	
(833,513)		(833,513)	
(132,145)		(132,145)	
(21,948)		(21,948)	
(1,795,012)		(1,795,012)	
-	\$ (16,031)	(16,031)	
(1,795,012)	(16,031)	(1,811,043)	
			\$ (182,085)
			(31,703)
			(213,788)
1,215,114	-	1,215,114	-
1,053,720	-	1,053,720	-
111,860	-	111,860	949
-	3,791	3,791	11,366
(223,568)	-	(223,568)	223,568
2,157,126	3,791	2,160,917	235,883
362,114	(12,240)	349,874	22,095
15,759,447	69,267	15,828,714	105,686
\$ 16,121,561	\$ 57,027	\$ 16,178,588	\$ 127,781

See notes to the financial statements

Charter Township of Comstock
BALANCE SHEET - governmental funds
December 31, 2005

	<u>General</u>	<u>Fire Operating Fund</u>	<u>Library Fund</u>	<u>Sewer and Water Improvement Fund</u>	<u>1996 Sewer Bond Fund</u>
ASSETS					
Cash	\$ 505,832	\$ 733,069	\$ 831,124	\$ 1,376,002	\$ 449,791
Receivables, net	764,351	557,888	407,161	248,358	462,048
Due from other funds	-	-	-	72,743	-
Total assets	<u>\$ 1,270,183</u>	<u>\$ 1,290,957</u>	<u>\$ 1,238,285</u>	<u>\$ 1,697,103</u>	<u>\$ 911,839</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 70,051	\$ 57,177	\$ 73,144	\$ 23,218	\$ -
Due to other funds	-	-	-	-	-
Due to other governmental units	46,026	-	-	-	-
Deferred revenue	<u>647,803</u>	<u>993,066</u>	<u>653,467</u>	<u>221,041</u>	<u>449,229</u>
Total liabilities	<u>763,880</u>	<u>1,050,243</u>	<u>726,611</u>	<u>244,259</u>	<u>449,229</u>
Fund balances:					
Unreserved	506,303	240,714	511,674	1,452,844	462,610
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>506,303</u>	<u>240,714</u>	<u>511,674</u>	<u>1,452,844</u>	<u>462,610</u>
Total liabilities and fund balances	<u>\$ 1,270,183</u>	<u>\$ 1,290,957</u>	<u>\$ 1,238,285</u>	<u>\$ 1,697,103</u>	<u>\$ 911,839</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Deferred charges are not a current financial resource and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Net assets of *governmental activities*

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 996,773	\$ 4,892,591
667,443	3,107,249
<u>-</u>	<u>72,743</u>
<u>\$ 1,664,216</u>	<u>\$ 8,072,583</u>

\$ 14,322	\$ 237,912
72,743	72,743
-	46,026
<u>752,718</u>	<u>3,717,324</u>
<u>839,783</u>	<u>4,074,005</u>

-	3,174,145
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559,519	559,519
<u>264,914</u>	<u>264,914</u>
<u>824,433</u>	3,998,578

\$ 1,664,216

13,633,735

46,851

(2,608,231)

1,067,670

(17,042)

\$ 16,121,561

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended December 31, 2005

	<u>General</u>	<u>Fire Operating Fund</u>	<u>Library Fund</u>	<u>Sewer and Water Improvement Fund</u>
REVENUES				
Taxes	\$ 600,616	\$ -	\$ 614,498	\$ -
Licenses and permits	75,390	-	-	-
Federal grants	-	63,589	-	-
State grants	1,043,896	-	38,865	-
Charges for services	380,750	-	4,251	272,719
Fines and forfeitures	20,278	-	38,731	-
Interest and rentals	13,232	11,880	20,969	46,053
Other	2,614	934,308	410	-
	<u>2,136,776</u>	<u>1,009,777</u>	<u>717,724</u>	<u>318,772</u>
Total revenues				
EXPENDITURES				
Legislative	21,041	-	6,649	-
General government	926,800	-	-	-
Public safety	464,282	931,264	-	-
Public works	99,012	-	-	154,660
Community and economic development	78,141	-	-	-
Health and welfare	132,145	-	-	-
Culture and recreation	212,531	-	725,420	-
Debt service:				
Bond issuance costs	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	32,530	106,092	11,415	-
	<u>1,966,482</u>	<u>1,037,356</u>	<u>743,484</u>	<u>154,660</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>170,294</u>	<u>(27,579)</u>	<u>(25,760)</u>	<u>164,112</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds and premium	-	-	-	-
Payment to bond escrow	-	-	-	-
Transfers in from other funds	-	-	-	70,552
Transfers out to other funds	-	-	-	(25,751)
Transfers out to component unit	(204,420)	-	-	-
	<u>(204,420)</u>	<u>-</u>	<u>-</u>	<u>44,801</u>
Total other financing sources (uses)				
NET CHANGES IN FUND BALANCES	(34,126)	(27,579)	(25,760)	208,913
FUND BALANCES - BEGINNING	<u>540,429</u>	<u>268,293</u>	<u>537,434</u>	<u>1,243,931</u>
FUND BALANCES - ENDING	<u>\$ 506,303</u>	<u>\$ 240,714</u>	<u>\$ 511,674</u>	<u>\$ 1,452,844</u>

<u>1996 Sewer Bond Fund</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ 1,215,114
-	-	75,390
-	363,960	427,549
-	-	1,082,761
-	-	657,720
-	-	59,009
43,491	56,144	191,769
<u>78,602</u>	<u>452,114</u>	<u>1,468,048</u>
 122,093	 872,218	 5,177,360
-	-	27,690
-	-	926,800
-	2,470	1,398,016
5,700	156,581	415,953
-	-	78,141
-	-	132,145
-	-	937,951
-	58,119	58,119
100,000	150,000	250,000
64,900	63,013	127,913
<u>-</u>	<u>432,424</u>	<u>582,461</u>
 170,600	 862,607	 4,935,189
 (48,507)	 9,611	 242,171
-	1,308,231	1,308,231
-	(1,250,112)	(1,250,112)
-	25,751	96,303
-	(70,552)	(96,303)
<u>-</u>	<u>-</u>	<u>(204,420)</u>
 -	 13,318	 (146,301)
(48,507)	22,929	95,870
<u>511,117</u>	<u>801,504</u>	<u>3,902,708</u>
 \$ 462,610	 \$ 824,433	 \$ 3,998,578

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended December 31, 2005

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ 95,870
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Capital outlays are reported as expenditures in governmental funds, but are allocated over their estimated useful lives as depreciation expense in the statement of activities. Capital outlays (\$729,281) exceeded depreciation \$(618,585) in the current period.	110,696
Net book value of capital asset dispositions are not recorded in the funds.	(13,490)
The amortization of deferred charges does provide current financial resources and, therefore, is not reported in the funds.	(11,380)
The reduction of prepaid expense does not provide current financial resources and, therefore, is not reported in the funds.	(19,144)
Interest expense is recorded when incurred in the statement of activities.	37,436
The creation of special assessments does not provide current financial resources to the funds. Collections on special assessments receivable reduce long-term receivables in the statement of net assets. Collections (\$270,636) exceeded special assessments created (\$182,762) in the current period.	(87,874)
Repayment of bond principal is an expenditure in the funds, but reduces long-term liabilities in the statement of net assets.	<u>250,000</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 362,114</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2005

	<u>Building Inspection</u>
ASSETS	
Current assets:	
Cash	\$ 52,569
Receivables, net	<u>127</u>
Total current assets	52,696
Noncurrent assets - capital assets, net of accumulated depreciation	<u>16,000</u>
Total assets	<u>68,696</u>
LIABILITIES	
Current liabilities - payables	<u>11,669</u>
NET ASSETS	
Investment in capital assets	16,000
Restricted for public safety	<u>41,027</u>
Total net assets	<u><u>\$ 57,027</u></u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - proprietary fund
Year ended December 31, 2005

	<i>Building Inspection</i>
OPERATING REVENUES	
Charges for services	<u>\$ 190,669</u>
OPERATING EXPENSES	
Personnel costs	124,682
Contracted services	41,701
Supplies	6,317
Internal charges	30,000
Depreciation	<u>4,000</u>
Total operating expenses	<u>206,700</u>
OPERATING LOSS	(16,031)
OTHER INCOME	
Gain on sale of capital assets	<u>3,791</u>
CHANGE IN NET ASSETS	(12,240)
NET ASSETS - BEGINNING	<u>69,267</u>
NET ASSETS - ENDING	<u>\$ 57,027</u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2005

	<u>Building Inspection</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 192,104
Payments to vendors and suppliers	(54,072)
Payments to employees	(124,682)
Internal activity - payments to other funds	<u>(30,000)</u>
Net cash used in operating activities	<u>(16,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	(20,000)
Proceeds from sale of capital assets	<u>18,234</u>
Net cash used in investing activities	<u>(1,766)</u>
NET DECREASE IN CASH	(18,416)
CASH - BEGINNING	<u>70,985</u>
CASH - ENDING	<u><u>\$ 52,569</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (16,031)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,000
Decrease in receivables	1,435
Decrease in payables	<u>(6,054)</u>
Net cash used in operating activities	<u><u>\$ (16,650)</u></u>

See notes to the financial statements

Charter Township of Comstock
STATEMENT OF FIDUCIARY NET ASSETS - agency fund
December 31, 2005

ASSETS

Cash	<u>\$ 1,851,393</u>
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Total assets

LIABILITIES

Due to other governmental units	<u>\$ 1,851,393</u>
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See notes to the financial statements

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Comstock, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Comstock Community Center:

The Center is reported in a separate column to emphasize it is legally separate from the Township. The Center has a December 31 year end. Complete financial statements are available at the Center's administrative office at 6330 King Highway, Comstock, Michigan 49041.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township fire protection. Revenues are primarily derived from special assessments.

The Library Fund accounts for the financial resources used for the operational costs of the Township's library. Revenues are primarily derived from property taxes.

The Sewer and Water Improvement Fund accounts for the financial resources used for the expansion, repairs and maintenance of sewer and water lines in the Township. Revenues are primarily derived from connection fees.

The 1996 Sewer Bond Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports one fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued) - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	20 - 50 years

v) Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$ 890,943	\$ 926,800	\$ (35,857)
Fire Operating Fund	Public safety	916,103	931,264	(15,161)
	Capital outlay	22,500	106,092	(83,592)
Sewer and Water Improvement Fund	Public works	-	154,660	(154,660)
	Transfers out	-	25,751	(25,751)
Unbonded Sewer Districts	Transfers out	-	23,084	(23,084)
Unbonded Water Districts	Transfers out	-	47,468	(47,468)

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>	<u>Total component unit</u>	<u>Total</u>
Deposits	\$ 3,885,361	\$ 52,569	\$ 1,851,393	\$ 5,789,323	\$ 39,222	\$ 5,828,545
Investments	1,006,230	-	-	1,006,230	3,606	1,009,836
Cash on hand	1,000	-	-	1,000	-	1,000
Total cash	<u>\$ 4,892,591</u>	<u>\$ 52,569</u>	<u>\$ 1,851,393</u>	<u>\$ 6,796,553</u>	<u>\$ 42,828</u>	<u>\$ 6,839,381</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2005, \$5,291,716 of the primary government's bank balances of \$5,540,948 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

The Center's cash is deposited with financial institutions authorized by statute. At December 31, 2005, none of the Center's bank balance of \$39,092 was exposed to custodial credit risk.

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments.

Investments:

At December 31, 2005, the Township's investment consists of unsecured Federal Home Loan Mortgage Corporation (FHLMC) discounted notes with a cost of \$999,076, and a market value of \$1,006,230, with a maturity date of April 25, 2006, earning interest at 4.5%.

The Center's investments are carried at cost, which approximates market value.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At December 31, 2005, the Township's receivables were as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Special Assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ 6,759	\$ 403,557	\$ -	\$ 354,035	\$ 764,351
Fire Operating Fund		-	557,888	-	557,888
Library Fund	-	407,161	-	-	407,161
Sewer and Water Improvement Fund	24,694	-	223,664	-	248,358
1996 Sewer Bond Fund	-	-	462,048	-	462,048
Nonmajor governmental funds	-	-	611,044	56,399	667,443
Total governmental activities	<u>\$ 31,453</u>	<u>\$ 810,718</u>	<u>\$ 1,854,644</u>	<u>\$ 410,434</u>	<u>\$ 3,107,249</u>
Business-type activity:					
Building Inspection Fund	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127</u>
Component unit:					
Comstock Community Center	<u>\$ 70,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,514</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 941,900</u>	<u>\$ -</u>	<u>\$ 941,900</u>

All receivables are due considered to be fully collectible.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<u>Fund</u>	<u>Unearned</u>	<u>Unavailable</u>	<u>Totals</u>
Primary government:			
General	\$ 647,803	\$ -	\$ 647,803
Fire Operating	993,066	-	993,066
Library	653,467	-	653,467
Sewer and Water Improvement	-	221,041	221,041
1996 Sewer Bond	-	449,229	449,229
Nonmajor governmental funds	<u>355,318</u>	<u>397,400</u>	<u>752,718</u>
	<u>\$ 2,649,654</u>	<u>\$ 1,067,670</u>	<u>\$ 3,717,324</u>
Component unit:			
Comstock Community Center	<u>\$ 12,649</u>	<u>\$ -</u>	<u>\$ 12,649</u>

NOTE 6 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of the Township totaled \$433,647,736, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	0.9764	General operations	\$ 429,533
Senior services	0.4962	Senior services programs	218,269
Library	1.4854	Library operations	653,467

This amount is recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 290,226	\$ -	\$ -	\$ 290,226
Capital assets being depreciated:				
Buildings	3,181,939	-	-	3,181,939
Equipment	1,754,384	153,953	3,500	1,904,837
Vehicles	1,404,558	41,713	28,915	1,417,356
Infrastructure	12,712,546	533,615	-	13,246,161
Subtotal	19,053,427	729,281	32,415	19,750,293
Less accumulated depreciation for:				
Buildings and improvements	1,415,199	64,773	-	1,479,972
Equipment	894,454	146,221	2,246	1,038,429
Vehicles	678,953	80,015	16,679	742,289
Infrastructure	2,818,518	327,576	-	3,146,094
Subtotal	5,807,124	618,585	18,925	6,406,784
Total capital assets being depreciated, net	13,246,303	110,696	13,490	13,343,509
Governmental activities capital assets, net	\$ 13,536,529	\$ 110,696	\$ 13,490	\$ 13,633,735
Business type activity:				
Vehicle	\$ 24,071	\$ 20,000	\$ 24,071	\$ 20,000
Less accumulated depreciation	9,628	4,000	9,628	4,000
Business type activity capital assets, net	\$ 14,443	\$ 16,000	\$ 14,443	\$ 16,000

Component unit:

The capital assets of the Center at December 31, 2005, was as follows:

Leasehold improvements	\$ 65,847
Furniture, fixtures, and equipment	72,802
Vehicles	61,011
	199,660
Less accumulated depreciation	(113,534)
	<u>\$ 86,126</u>

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to governmental activities as follows:

General government	\$ 60,650
Public safety	104,782
Public works	329,625
Recreation and culture	<u>123,528</u>

Total governmental activities \$ 618,585

Depreciation expense for the Center amounted to \$18,295

NOTE 8 - LONG-TERM DEBT:

At December 31, 2005, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Bonds payable:

\$1,295,000 2005 Limited Tax General Obligation Refunding Bonds; due in annual installments of \$155,000 to \$175,000 plus interest at 2.5% to 3.5% through May 2013.	\$ 1,295,000
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\$2,100,000 1996 Limited Tax General Obligation Bonds; due in annual installments of \$100,000 to \$125,000 plus interest at 4.75% to 7.75% through May 2016.	<u>1,300,000</u>
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Total bonds payable	2,595,000
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Unamortized bond premium	<u>13,231</u>
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Total governmental activities long-term obligations	<u>\$ 2,608,231</u>
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Business-type activities:

Compensated absences	<u>\$ 2,935</u>
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Component unit:

Compensated absences	<u>\$ 19,611</u>
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Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

Long-term obligation activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2005 LTGO Refunding Bonds	\$ -	\$ 1,295,000	\$ -	\$ 1,295,000	\$ 160,000
1993 LTGO Bonds	1,400,000	-	(1,400,000)	-	-
1996 LTGO Bonds	1,400,000	-	(100,000)	1,300,000	100,000
Unamortized bond premium	-	13,231	-	13,231	-
Total governmental activities long-term obligations	<u>\$ 2,800,000</u>	<u>\$ 1,308,231</u>	<u>\$ (1,500,000)</u>	<u>\$ 2,608,231</u>	<u>\$ 260,000</u>
Business-type activities:					
Compensated absences	<u>\$ 5,417</u>	<u>\$ 2,572</u>	<u>\$ (5,054)</u>	<u>\$ 2,935</u>	<u>\$ -</u>

In February 2005, \$1,250,000 of the 1993 LTGO Bonds were refunded by the subsequent issuance of \$1,295,000 refunding bonds.

At December 31, 2005, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended December 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 260,000	\$ 97,875
2007	265,000	88,856
2008	260,000	79,438
2009	285,000	69,294
2010	280,000	58,438
2011 - 2016	<u>1,245,000</u>	<u>133,563</u>
Totals	<u>\$ 2,595,000</u>	<u>\$ 527,464</u>

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - PAYABLES:

At December 31, 2005, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 107,389	\$ 8,688	\$ -	\$ 116,077
Fire Operating Fund	34,468	22,709		57,177
Library Fund	66,254	6,890		73,144
Sewer and Water Improvement Fund	23,218	-	-	23,218
1996 Sewer Bond Fund	-	-	10,292	10,292
Nonmajor governmental funds	14,322	-	6,750	21,072
Total governmental activities	<u>\$ 245,651</u>	<u>\$ 38,287</u>	<u>\$ 17,042</u>	<u>\$ 300,980</u>
Business-type activities:				
Building Inspection	<u>\$ 11,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,669</u>

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At December 31, 2005, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer and Water Improvement Fund	<u>\$ 72,743</u>	Nonmajor governmental funds	<u>\$ 72,743</u>

The interfund balances represent assessment collections to be transferred and temporary advances. A summary of interfund transfers for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Sewer and Water Improvement Fund	<u>\$ 70,552</u>	Nonmajor governmental funds	<u>\$ 25,751</u>
Nonmajor governmental funds	<u>25,751</u>	Sewer and Water Improvement Fund	<u>70,552</u>
Total	<u>\$ 96,303</u>	Total	<u>\$ 96,303</u>

The transfer in to the Sewer and Water Improvement Fund represents transfers of unrestricted assessment collections. The transfer in to the nonmajor governmental funds represents support for infrastructure costs.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate at the date of employment. The Township contributes an amount equal to 13% of the employee's base salary each month. The Township's contributions for each employee (and interest allocated to the employee's account) are vested after six months of continuous service. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and eligible employees made the required contributions of \$115,191 and \$47,977, respectively, for the year ended December 31, 2005.

Comstock Community Center, Inc. provides pension benefits for all of its full-time employees through a defined contribution plan. The Center's employees are eligible to participate at one year from the date of employment. The Center contributes an amount equal to 7% of the employee's base salary each month. Contributions for each employee (and interest allocated to the employee's account) are vested immediately. The Center is not a trustee of the plan, nor is the Center responsible for investment management of plan assets.

The Center made the required contributions of \$22,329 for the year ended December 31, 2005.

NOTE 13 - CURRENT REFUNDING OF LONG-TERM DEBT:

On February 23, 2005, the Township issued \$1,295,000 in limited tax general obligation bonds with an average interest rate of 3.3% to refund \$1,250,000 of outstanding 1993 Series bonds with average interest rates of 5.0%. The net proceeds of \$1,250,112 (including an issuance premium of \$13,231, and after payment of \$58,119 in underwriting fees, insurance, and other issuance costs) were used to purchase government securities, which were deposited in an irrevocable trust with an escrow agent. These funds were used to call the outstanding 1993 bonds on May 1, 2005.

The Township completed the current refunding to reduce its total debt service payments over the next 8 years by \$47,849 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$40,383. The net issuance costs are being amortized over the life of the new bonds.

Charter Township of Comstock
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - PRIOR PERIOD ADJUSTMENTS:

The Township has restated its beginning of year net assets to correct infrastructure additions not previously capitalized, as follows:

Net assets - beginning	
As previously reported	\$ 13,246,017
Prior period adjustment:	
Capitalization of infrastructure	2,380,214
Provision for depreciation	<u>(46,784)</u>
As restated	<u>\$ 15,579,447</u>

Comstock Community Center, Inc. has restated its beginning of year net assets to correct fixed asset additions not previously capitalized, as follows:

Net assets - beginning	
As previously reported	\$ 71,916
Prior period adjustment -	
capitalization of fixed assets	<u>33,770</u>
As restated	<u>\$ 105,686</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Comstock
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:				
Taxes - property	\$ 609,573	\$ 609,573	\$ 600,616	\$ (8,957)
Licenses and permits:				
Park permits	15,000	15,000	20,841	5,841
Cable TV franchise fees	60,500	60,500	54,549	(5,951)
Total licenses and permits	75,500	75,500	75,390	(110)
State grants:				
State shared revenues	1,076,837	1,076,837	1,026,900	(49,937)
Right of way fees	8,500	8,500	9,400	900
Liquor license fees	6,695	6,695	7,596	901
Total state grants	1,092,032	1,092,032	1,043,896	(48,136)
Charges for services:				
Tax collection fees	136,930	136,930	149,000	12,070
Utility surcharges	30,000	30,000	43,933	13,933
Planning and zoning fees	21,150	21,150	35,400	14,250
Solid waste compactor fees	53,200	53,200	40,944	(12,256)
Recreation fees	64,800	64,800	79,699	14,899
Cemetery charges	23,500	23,500	19,352	(4,148)
Other	2,370	2,370	12,422	10,052
Total charges for services	331,950	331,950	380,750	48,800
Fines and forfeitures:				
Parking tickets	2,800	2,800	2,745	(55)
District court fees	18,000	18,000	17,533	(467)
Total fines and forfeitures	20,800	20,800	20,278	(522)
Interest	10,000	10,000	13,232	3,232
Other - miscellaneous	200	200	2,614	2,414
Total revenues	2,140,055	2,140,055	2,136,776	(3,279)
EXPENDITURES				
Legislative - Township Board	23,634	21,852	21,041	811
General government:				
General services	141,255	146,080	148,755	(2,675)
Supervisor	142,683	144,404	142,845	1,559
Elections	13,840	(685)	5,949	(6,634)

Charter Township of Comstock
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
General government (continued):				
Assessor	\$ 129,027	\$ 124,672	\$ 119,032	\$ 5,640
Clerk	129,265	136,605	134,860	1,745
Board of Review	2,868	3,965	4,365	(400)
Treasurer	126,289	125,179	122,987	2,192
Computer operations	21,500	23,541	53,648	(30,107)
Building and grounds	132,792	146,865	154,025	(7,160)
Cemetery	28,575	40,317	40,334	(17)
Total general government	<u>868,094</u>	<u>890,943</u>	<u>926,800</u>	<u>(35,857)</u>
Public safety:				
Police contract	388,345	399,529	400,155	(626)
Ordinance enforcement	64,844	63,063	64,127	(1,064)
Total public safety	<u>453,189</u>	<u>462,592</u>	<u>464,282</u>	<u>(1,690)</u>
Public works - highways and streets	<u>120,000</u>	<u>101,984</u>	<u>99,012</u>	<u>2,972</u>
Community and economic development - planning	<u>85,522</u>	<u>81,897</u>	<u>78,141</u>	<u>3,756</u>
Health and welfare:				
City bus service	33,946	33,946	35,850	(1,904)
Solid waste compactor	110,096	108,677	96,295	12,382
Total health and welfare	<u>144,042</u>	<u>142,623</u>	<u>132,145</u>	<u>10,478</u>
Culture and recreation - parks and recreation	<u>232,437</u>	<u>232,437</u>	<u>212,531</u>	<u>19,906</u>
Capital outlay	<u>21,945</u>	<u>30,419</u>	<u>32,530</u>	<u>(2,111)</u>
Total expenditures	<u>1,948,863</u>	<u>1,964,747</u>	<u>1,966,482</u>	<u>(1,735)</u>
EXCESS OF REVENUES OVER EXPENDITURES	191,192	175,308	170,294	(5,014)
OTHER FINANCING USES				
Transfer to component unit	<u>(205,256)</u>	<u>(205,256)</u>	<u>(204,420)</u>	<u>836</u>
NET CHANGES IN FUND BALANCES	(14,064)	(29,948)	(34,126)	(4,178)
FUND BALANCES - BEGINNING	<u>540,429</u>	<u>540,429</u>	<u>540,429</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 526,365</u>	<u>\$ 510,481</u>	<u>\$ 506,303</u>	<u>\$ (4,178)</u>

Charter Township of Comstock**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Federal grants	\$ -	\$ -	\$ 63,589	\$ 63,589
Interest	1,800	1,800	11,880	10,080
Other - special assessments	<u>934,590</u>	<u>934,590</u>	<u>934,308</u>	<u>(282)</u>
Total revenues	<u>936,390</u>	<u>936,390</u>	<u>1,009,777</u>	<u>73,387</u>
EXPENDITURES				
Public safety	916,103	916,103	931,264	(15,161)
Capital outlay	<u>22,500</u>	<u>22,500</u>	<u>106,092</u>	<u>(83,592)</u>
Total expenditures	<u>938,603</u>	<u>938,603</u>	<u>1,037,356</u>	<u>(98,753)</u>
NET CHANGES IN FUND BALANCES	(2,213)	(2,213)	(27,579)	(25,366)
FUND BALANCES - BEGINNING	<u>268,293</u>	<u>268,293</u>	<u>268,293</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 266,080</u>	<u>\$ 266,080</u>	<u>\$ 240,714</u>	<u>\$ (25,366)</u>

Charter Township of Comstock**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes - property	\$ 591,000	\$ 591,000	\$ 614,498	\$ 23,498
State grants:				
State aid	10,000	10,000	12,045	2,045
State shared revenue	10,000	10,000	26,820	16,820
Total state grants	20,000	20,000	38,865	18,865
Charges for services	4,770	4,770	4,251	(519)
Fines and forfeitures:				
County shared penal fines	27,000	27,000	31,712	4,712
Book fines	4,500	4,500	7,019	2,519
Total fines and forfeitures	31,500	31,500	38,731	7,231
Interest and rentals	7,000	7,000	20,969	13,969
Other - donations	200	200	410	210
Total revenues	654,470	654,470	717,724	63,254
EXPENDITURES:				
Legislative	11,495	8,795	6,649	2,146
Culture and recreation:				
Administrative	68,660	68,660	68,145	515
Adult services	175,618	158,618	144,894	13,724
Books and materials	120,400	119,800	116,179	3,621
Youth services	63,344	64,344	64,159	185
Clerical	118,560	128,060	117,286	10,774
Building operations and maintenance	76,735	219,566	207,744	11,822
Equipment maintenance	16,770	15,770	7,013	8,757
Total culture and recreation	640,087	774,818	725,420	49,398

Charter Township of Comstock**BUDGETARY COMPARISON SCHEDULE - Library Fund(Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):				
Capital outlay	<u>\$ 18,000</u>	<u>\$ 30,300</u>	<u>\$ 11,415</u>	<u>\$ 18,885</u>
Total expenditures	<u>669,582</u>	<u>813,913</u>	<u>743,484</u>	<u>70,429</u>
NET CHANGES IN FUND BALANCES	(15,112)	(159,443)	(25,760)	133,683
FUND BALANCES - BEGINNING	<u>537,434</u>	<u>537,434</u>	<u>537,434</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 522,322</u>	<u>\$ 377,991</u>	<u>\$ 511,674</u>	<u>\$ 133,683</u>

Charter Township of Comstock**BUDGETARY COMPARISON SCHEDULE - Sewer and Water Improvement Fund**

Year ended December 31, 2005

	Original/ amended budget	Actual	Variance favorable (unfavorable)
REVENUES			
Charges for services	\$ -	\$ 272,719	\$ 272,719
Interest	-	46,053	46,053
Total revenues	-	318,772	318,772
EXPENDITURES:			
Public works:			
Construction	-	129,269	(129,269)
Other	-	25,391	(25,391)
Total public works	-	154,660	(154,660)
EXCESS OF REVENUES OVER EXPENDITURES	-	164,112	164,112
OTHER FINANCING SOURCES (USES)			
Transfer from Unbonded Sewer Districts Fund	-	23,084	23,084
Transfer from Unbonded Water Districts Fund	-	47,468	47,468
Transfer to CDBG Grant Fund	-	(25,751)	(25,751)
Total other financing sources	-	44,801	44,801
NET CHANGES IN FUND BALANCES	-	208,913	208,913
FUND BALANCES - BEGINNING	1,243,931	1,243,931	-
FUND BALANCES - ENDING	\$ 1,243,931	\$ 1,452,844	\$ 208,913

SUPPLEMENTARY INFORMATION

Charter Township of Comstock
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2005

	<i>Special revenue funds</i>			
	<i>Fire Capital Improvement Fund</i>	<i>Street Lighting Fund</i>	<i>CDBG Grant Fund</i>	<i>Unbonded Sewer Districts Fund</i>
ASSETS				
Cash and cash equivalents	\$ 600,020	\$ 115,313	\$ -	\$ 824
Receivables (net)	<u>111,567</u>	<u>86,272</u>	<u>56,399</u>	<u>101,554</u>
Total assets	<u>\$ 711,587</u>	<u>\$ 201,585</u>	<u>\$ 56,399</u>	<u>\$ 102,378</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ -	\$ 13,843	\$ 479	\$ -
Due to other funds	-	-	55,920	1,984
Deferred revenue	<u>198,592</u>	<u>156,726</u>	<u>-</u>	<u>100,394</u>
Total liabilities	198,592	170,569	56,399	102,378
Fund balances:				
Unreserved, undesignated	<u>512,995</u>	<u>31,016</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 711,587</u>	<u>\$ 201,585</u>	<u>\$ 56,399</u>	<u>\$ 102,378</u>

<i>Unbonded Water Fund</i>	<i>Elderly and Low Income Fund</i>	<i>Totals</i>	<i>Debt service funds</i>		<i>Totals</i>	<i>Total other govern- mental funds</i>
			<i>1989 Water Bond Fund</i>	<i>1993 Sewer Bond Fund</i>		
\$ 3,787	\$ 15,508	\$ 735,452	\$ 1,302	\$ 260,019	\$ 261,321	\$ 996,773
109,216	-	465,008	1,541	200,894	202,435	667,443
<u>\$ 113,003</u>	<u>\$ 15,508</u>	<u>\$ 1,200,460</u>	<u>\$ 2,843</u>	<u>\$ 460,913</u>	<u>\$ 463,756</u>	<u>\$ 1,664,216</u>
\$ -	\$ -	\$ 14,322	\$ -	\$ -	\$ -	\$ 14,322
14,839	-	72,743	-	-	-	72,743
98,164	-	553,876	1,069	197,773	198,842	752,718
113,003	-	640,941	1,069	197,773	198,842	839,783
-	15,508	559,519	1,774	263,140	264,914	824,433
<u>\$ 113,003</u>	<u>\$ 15,508</u>	<u>\$ 1,200,460</u>	<u>\$ 2,843</u>	<u>\$ 460,913</u>	<u>\$ 463,756</u>	<u>\$ 1,664,216</u>

Charter Township of Comstock**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	Special revenue funds			
	Fire Capital Improvement Fund	Street Lighting Fund	CDBG Grant Fund	Unbonded Sewer Districts Fund
REVENUES				
Federal grant	\$ -	\$ -	\$ 363,960	\$ -
Interest	13,452	-	-	8,684
Other	190,130	153,784	-	14,750
Total revenues	203,582	153,784	363,960	23,434
EXPENDITURES				
Public safety	2,470	-	-	-
Public works	-	147,919	-	350
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Bond issuance costs	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	42,713	-	389,711	-
Total expenditures	45,183	147,919	389,711	350
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	158,399	5,865	(25,751)	23,084
OTHER FINANCING SOURCES (USES)				
Refunding bonds and premium	-	-	-	-
Payment to bond escrow	-	-	-	-
Transfers in	-	-	25,751	-
Transfers out	-	-	-	(23,084)
Total other financing sources (uses)	-	-	25,751	(23,084)
NET CHANGES IN FUND BALANCES	158,399	5,865	-	-
FUND BALANCES - BEGINNING	354,596	25,151	-	-
FUND BALANCES - ENDING	\$ 512,995	\$ 31,016	\$ -	\$ -

<u>Unbonded Water Districts Fund</u>	<u>Elderly and Low Income Fund</u>	<u>Totals</u>	<u>Debt service funds</u>		<u>Totals</u>	<u>Total other govern- mental funds</u>
			<u>1989 Water Bond Fund</u>	<u>1993 Sewer Bond Fund</u>		
\$ -	\$ -	\$ 363,960	\$ -	\$ -	\$ -	\$ 363,960
11,884	-	34,020	726	21,398	22,124	56,144
35,934	-	394,598	2,188	55,328	57,516	452,114
47,818	-	792,578	2,914	76,726	79,640	872,218
-	-	2,470	-	-	-	2,470
350	-	148,619	2,000	5,962	7,962	156,581
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	58,119	58,119	58,119
-	-	-	-	150,000	150,000	150,000
-	-	-	-	63,013	63,013	63,013
-	-	432,424	-	-	-	432,424
350	-	583,513	2,000	277,094	279,094	862,607
47,468	-	209,065	914	(200,368)	(199,454)	9,611
-	-	-	-	1,308,231	1,308,231	1,308,231
-	-	-	-	(1,250,112)	(1,250,112)	(1,250,112)
-	-	25,751	-	-	-	25,751
(47,468)	-	(70,552)	-	-	-	(70,552)
(47,468)	-	(44,801)	-	58,119	58,119	13,318
-	-	164,264	914	(142,249)	(141,335)	22,929
-	15,508	395,255	860	405,389	406,249	801,504
\$ -	\$ 15,508	\$ 559,519	\$ 1,774	\$ 263,140	\$ 264,914	\$ 824,433

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

**Township Board
Charter Township of Comstock, Michigan**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Comstock, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated May 24, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the sole component unit, Comstock Community Center, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Comstock's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Comstock, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Township Board
Charter Township of Comstock, Michigan
Page 2**

This report is intended for the information of the Township Board, management, the U.S. Department of Housing and Urban Development, and the Michigan Economic Development Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

March 23, 2006